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S E C R E T SECTION 01 OF 03 KABUL 001820

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STATE FOR SCA/FO DAS GASTRIGHT, SCA/A, S/CRS, SA/PB, S/CT,
EUR/RPM
STATE PASS TO USAID FOR AID/ANE, AID/DCHA/DG
NSC FOR AHARRIMAN
OSD FOR SHIVERS
EMBASSY SINGAPORE AND CENTCOM PASS TO SECRETARY GATES
CENTCOM FOR CG CJTF-82, POLAD, JICCENT

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SUBJECT: SCENESETTER FOR SECRETARY GATES VISIT TO
AFGHANISTAN

Classified By: Ambassador William B. Wood for reasons 1.4 (B) and (D).

¶1. (S) Your June 3-4 visit to Afghanistan will be greeted by a President Karzai facing challenges both domestically and from his neighbors. Domestic discontent is to a considerable degree a reflection of unmet expectations. The population expected the fall of the Taliban and arrival of the international assistance would lead to greater security and improvement in their daily lives. It has, but the persistent insurgency, endemic corruption (including in appointments), and backlog of unmet needs invites criticism of the Government's performance. Presidential elections are 18 months away (with Parliamentary elections later), and the ambition of self-appointed challengers helps fuel criticism of Karzai. Old mujahadin and warlords resist initiatives that would undermine their influence. Many hold seats in the current Parliament and have become increasingly bold about using that institution to limit the President's maneuvering room, as in the recent no-confidence vote on Foreign Minister Spanta.

¶2. (S) Karzai traditionally focused on balancing opposing interests and may be concluding that he needs to project strength and show results. He has taken positive steps but must exercise more political will to use his political resources to address simultaneously the insurgency, corruption, poppy production, and provide improved services and basic rule of law. He must deliver results.

¶3. (S) Conflicting interests in Afghanistan's neighborhood, including deliberate meddling in Afghan affairs, complicate Karzai's life. Cross border issues with Pakistan (serving as a support base and haven for the Taliban and plans to repatriate up to 220,000 Afghan refugees in camps slated to be closed this year) feed the insurgency and strain the security and service delivery systems. Karzai's use of the border issue to make political points with Pashtuns has proven to be a dangerous tactic, which we are resisting.

There are small signs, however, of a positive shift. After much effort, the cross-border Jirgas agreed to at the White House in November are on track to take place in early August.

The May 30 G-8 Joint Foreign Ministers Statement in Potsdam hit the right points and lays the groundwork for G-8 sponsored concrete projects for improved relations.

¶4. (S) From the west, the increase in Iranian meddling in Afghan affairs since Ahmadinejad became President complicates the equation. Iran's recent (legal though politically motivated) deportation of roughly 80,000 illegal Afghan workers to date (up to 1,000,000 could be deported over the next year) struck a political nerve and provided an opening for Karzai's opponents in Parliament (joined by some reportedly receiving funding and bribes from Iran).

Security

¶5. (S) Under the leadership of GEN McNeill, ISAF X has maintained steady pressure on the insurgents, forestalling the Taliban's vowed "spring offensive" with an orchestrated series of operations integrating key leadership engagement, kinetics, and support for development assistance. ISAF has disrupted Taliban lines of communication, inflicted heavy casualties on the enemy, and taken a substantial number of Taliban field commanders out of action. Essential to this success, and to Afghanistan's future security, has been the increasing integration of Afghan National Security Forces (ANSF) into ISAF/OEF operations. The ANSF are also particularly important for maintaining security in areas once the Taliban have been driven out. But demand for ANSF continues to outstrip availability. For example, recent

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reports indicate that Taliban are re-infiltrating Zharey district near Kandahar City, a district that was the scene of major ISAF operations last fall and winter. Moreover, since last summer, there has been a marked increase in the Taliban's use of suicide attacks and other IEDs. ISAF is still struggling to fill operational requirements in mission-critical areas such as helicopters, counter-IED, UAV, and a PRT for Nimroz. Non-U.S. ISAF nations also are lagging in providing the 46 Operational Mentor and Liaison Teams' (OMLTs) pledges to support the Afghan National Army (only 20 OMLTs have thus far been provided).

¶6. (C) The ANSF) both Afghan National Army (ANA) and Afghan National Police (ANP) -- are playing an increasing role in establishing security in Afghanistan. Recruitment and retention have both increased, ANA units are acquitting themselves well in combat, and the MOD/ANA is a respected institution in Afghanistan. But the army can only operate in small units and has little capacity for planning, logistics, or integrated operations. Today, the ANA has over 37,900 personnel and is on track to increase to 70,000.

¶7. (C) The ANP is about two to three years behind, but improving as well. It has over 65,900 personnel and is increasing to 82,000) although additional training is necessary for ANP personnel to be fully effective. Equipment for these forces is gradually arriving and will make a positive difference. The ANP is suffering many more casualties than ANA and has become the focus of CSTC-A efforts. The recently upgraded senior leadership of the Ministry of Interior has begun to make the hard choices necessary to reduce corruption and institute reforms. The USD 5.9 billion in supplemental investment will maintain this momentum. However, more effort is needed. In particular, CSTC-A assesses that 3,500 more troops are needed to provide much-needed mentoring and training for the ANP.

The Afghan Economy

18. (SBU) According to the IMF, Afghanistan's licit GDP grew an estimated 8 percent in 2006, reaching approximately USD 7.7 billion and has doubled since 2001 (in constant dollars). The IMF estimates licit GDP growth for 2007 at 14 percent. However, growth at this level will need to be sustained to absorb Afghanistan's unemployed (40 percent est.) and over 2.4 million refugees still living in neighboring countries and to generate revenue to cover the costs of government. Attracting domestic and foreign direct investment is the key to maintaining a high growth rate. The Mission is focused on fostering the establishment of the infrastructure -- economic governance, power, transportation, financial services, and telecommunications -- that private investors demand. For fiscal years 2007 and 2008, USAID is planning on budgeting approximately USD 1.7 billion to draft new laws and regulations, build power stations and roads, and support the expansion and modernization of private banking, insurance, and telecommunications services, as well as other private sector activities. GOA fiscal responsibility will also be essential for maintaining the macroeconomic stability that investors require. Managing the impact of DOD security assistance on the Afghan budget will be critical for the GOA to sustain a balanced fiscal posture.

19. (SBU) At the heart of our program is the transformation of Afghanistan's rural economy from its current anemic traditional base, susceptible to purchasers of illegal drugs, to a modern, integrated, commercial agricultural economy growing licit high value crops, raising livestock, and exporting to high-priced demand centers. Eighty percent of

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Afghanistan's workforce works in the agricultural sector. Dole Foods, in conjunction with USAID and OPIC, is planning to make a USD 100 million agricultural investment on 10,000 hectares in northern Afghanistan. Working closely with our team at the Embassy, the Defense Department can make significant contributions to this effort. The Afghan First program has shown the way forward with its contracting for bottled water, uniforms, and construction services. In the future, we hope USG, including DOD, health experts will work proactively with Afghan food suppliers to elevate their quality to the point that meat, poultry, fruits, and vegetables can be produced locally. For Afghan produce to reach the Gulf, Afghanistan's airports, especially in Mazar-e-Sharif, Kandahar and Jalalabad, will need to support commercial air freight operations. Finally, CERP funds allocated through PRTs can finance the construction of rural infrastructure -- roads, irrigation networks, small dams and town markets.

WOOD